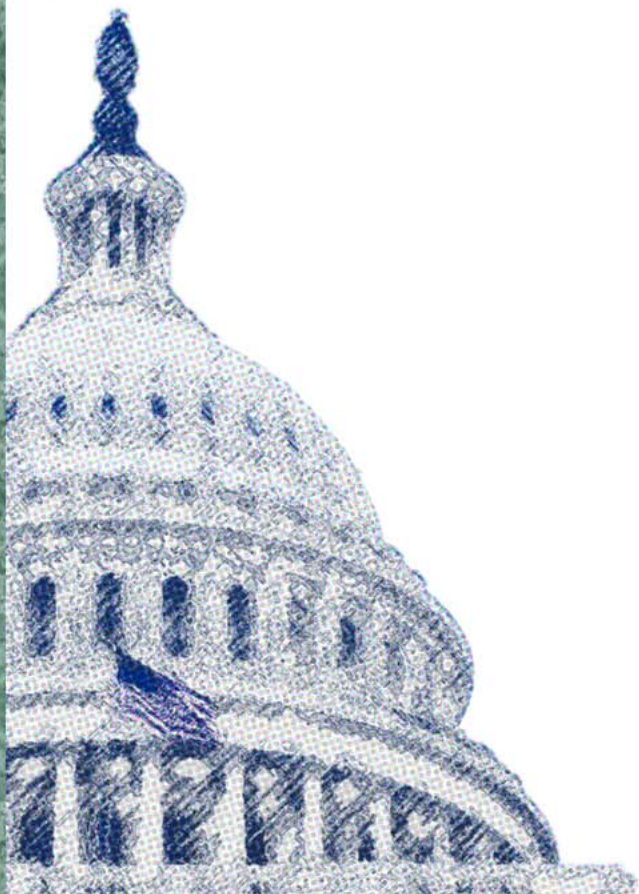


109th Congress
2nd Session



Senate Budget Committee Memorial Day Recess Packet



May 25, 2006

Prepared by

U.S. Senate Budget Committee

Republican Staff

<http://budget.senate.gov/republican>

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United States Senate

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WASHINGTON, DC 20510-6100

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May 25, 2006

Dear Republican Colleague:

As we prepare to head home for the Memorial Day recess, we can return to our states ready to highlight the unprecedented gains made by the U.S. economy, including dramatic job creation and impressive economic output. This growth has not happened by chance – it is the result of fiscally responsible choices made by Congress and the President, including the enactment of pro-growth tax policies that allow Americans to keep more of what they earn, encourage business investment, and empower entrepreneurs to grow and expand.

Our booming economy has created nearly 5.3 million new jobs since August 2003. Our nation's Gross Domestic Product grew 5.3% during the first quarter of this year, 2.0 percentage points faster than the 20-year average. Unemployment rates continue to fall and business investment is robust. This increased economic activity has triggered a surge in tax revenues, prompting the Congressional Budget Office to recently project that the 2006 deficit will be significantly less than previously anticipated. Attached is my recent *Washington Times* op-ed praising these pro-growth tax policies and the economic expansion they have created, as well as a fact sheet outlining gains made by the economy.

Members of the Budget Committee can be proud of their role in this trend of economic growth. The Fiscal Year 2006 budget contained reconciliation instructions that led to the *Deficit Reduction Act*, saving our nation \$39 billion over the next five years, and paved the way for the *Tax Increase Prevention and Reconciliation Act*, signed into law by President Bush this month. This extension of tax relief policies is vital to keeping the economy growing, and is a victory for the American people.

When we return in June, the Budget Committee will continue to play a key role in fiscal policy. I plan to continue discussions begun at the Committee's May 2nd hearing on the President's Line-Item Veto proposal and hold a mark-up on the legislation in the coming weeks. This is an important opportunity for the Budget Committee to put in place a mechanism that can make a difference in eliminating wasteful federal spending and continuing to reduce the federal deficit. This packet includes a chart that outlines the critical components of that proposal.

If you have any questions regarding the information in this packet, please contact my communications staff at 202-224-6011, or visit the Budget Committee website at budget.senate.gov/republican.

Sincerely,



Judd Gregg
Chairman

Pro-Growth Policies Creating Jobs and Economic Expansion

Republican pro-growth tax policies enacted in 2003 have resulted in unprecedented economic growth

- The economy has expanded for 18 consecutive quarters.
- GDP increased by 5.3% in the first quarter of 2006, 2.0 percentage points faster than the past 20-year average.
- Business investment increased 13.8% in the first quarter of 2006, registering its fastest rate of growth since Q2-2000.
- Productivity grew at 3.2% in first quarter 2006, and U.S. productivity is now at its highest level since World War II

The growth in the economy has created millions of new jobs

- Since August 2003, the economy has created nearly 5.3 million new jobs.
- The U.S. Labor Dept. announced that the economy created 138,000 new jobs in April, registering the 32nd straight monthly gain in employment.
- The unemployment rate also declined 0.4 percentage points in April to 4.7 percent from a year ago, the lowest level since August 2001.

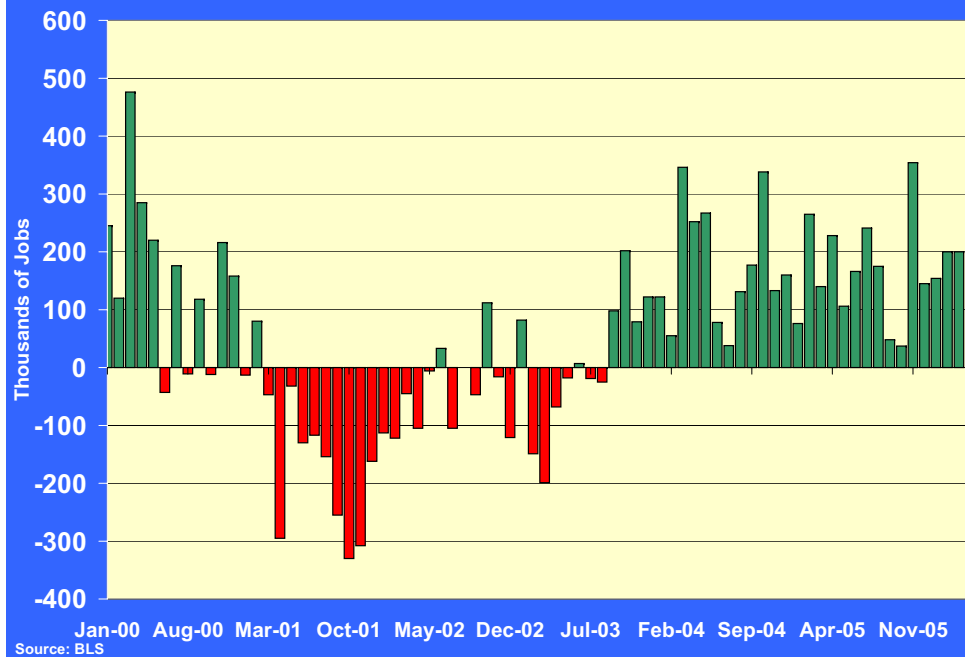
Economic growth is benefiting American families

- More Americans are working today than ever before.
- Household wealth is at an all-time high, and personal incomes are growing at a rapid pace.
- Consumer confidence is near a four-year high.
- Homeownership has reached all-time highs – more than two-thirds of Americans own their homes today.

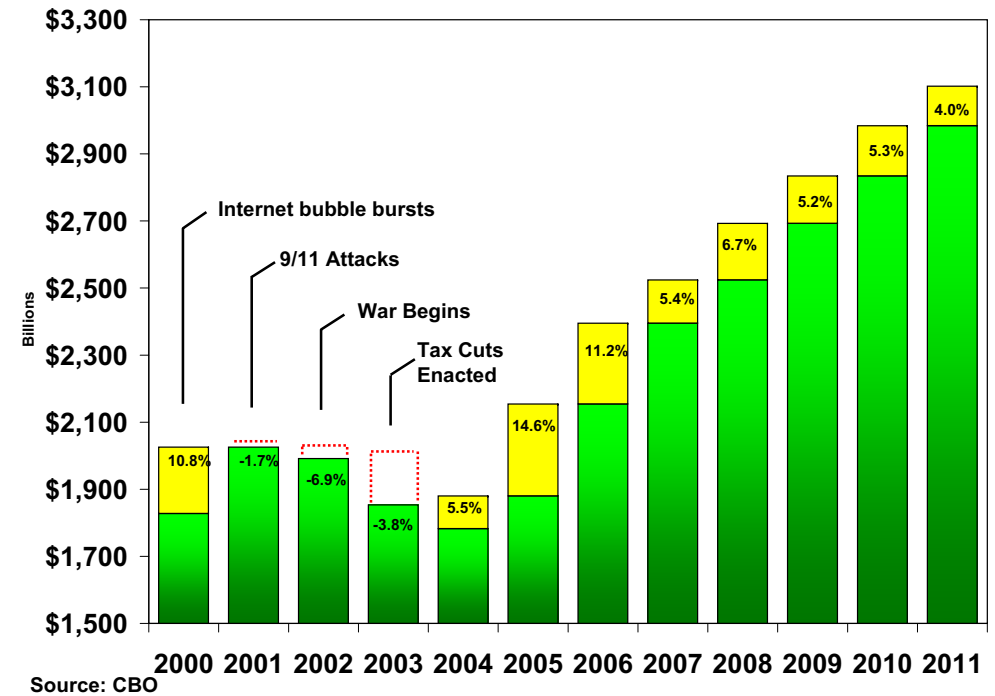
Economic growth and job creation have spurred dramatic increases in tax revenue; 2006 deficit projected to be lower than expected

- Fiscal Year 2005 tax revenues increased \$274 billion (adjusted for inflation) over FY 2004, representing the largest increase on record in real terms.
- Fiscal YTD (through April 2006) tax receipts are up \$137 billion (11.2%) over a year ago.
- Fiscal YTD (through April 2006) individual income tax receipts are up 10.2% over the same period a year ago; corporate tax receipts are up 29.5% over the same period a year ago.
- The most recent data suggests this trend has continued through May. The daily Treasury statements indicate that tax receipts in May 2006 are up \$35.5 billion over May 2005, to \$166.2 billion.
- CBO expects the 2006 deficit will be significantly less than \$350 billion and perhaps as low as \$300 billion. CBO forecast assumes enactment of the supplemental and tax bill this year. (Senate-passed FY07 Budget Resolution assumed 2006 deficit of \$372 billion)
- CBO attributes much of that improvement to revenue growth.

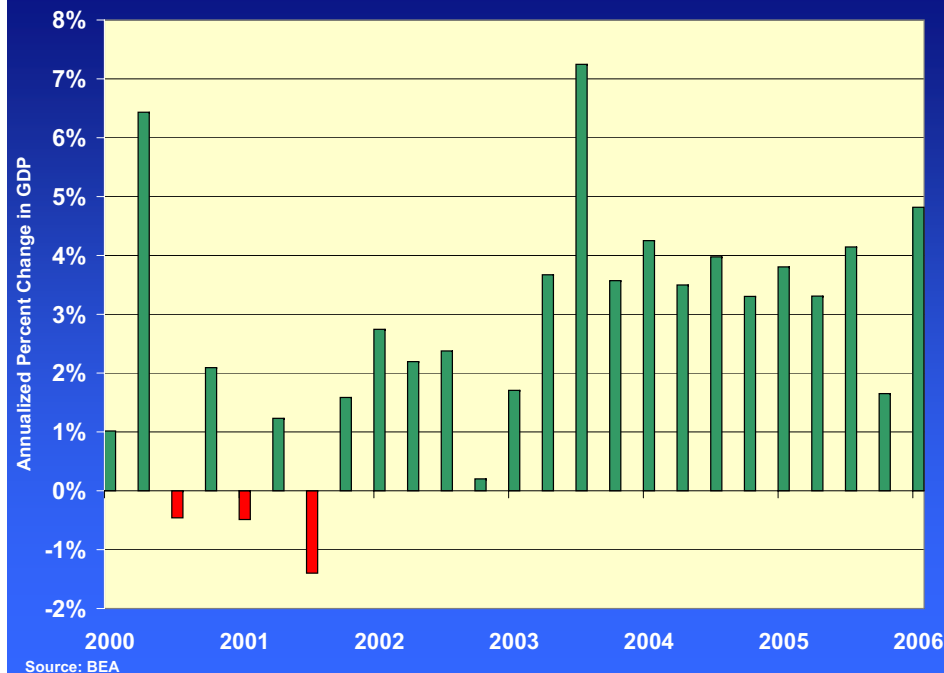
Nearly 5.3 Million Jobs Created in Last 32 Months



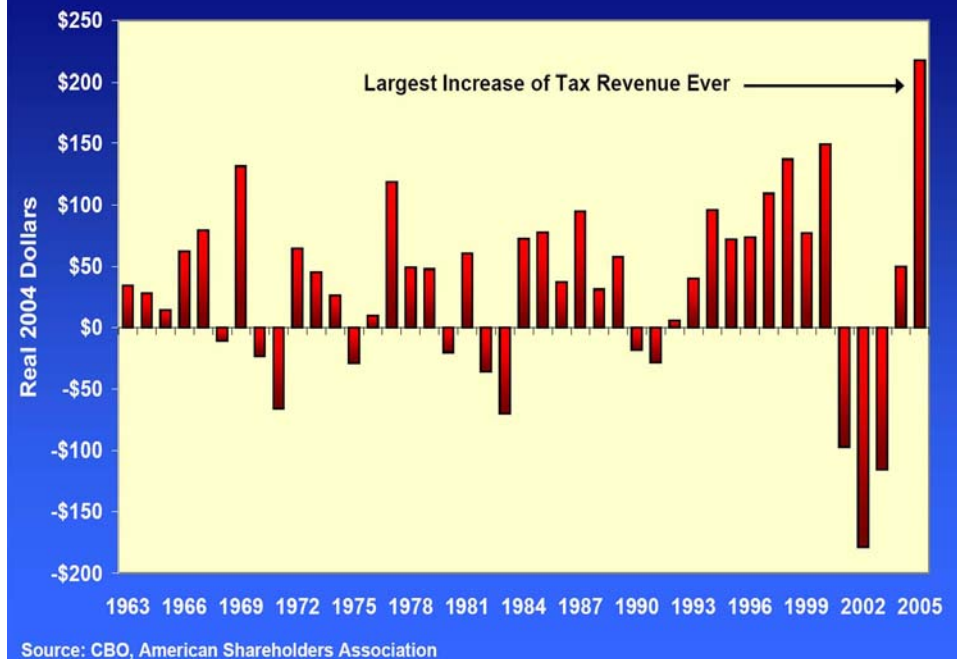
Economic Growth Propels Revenues



Economic Expansion Builds Momentum



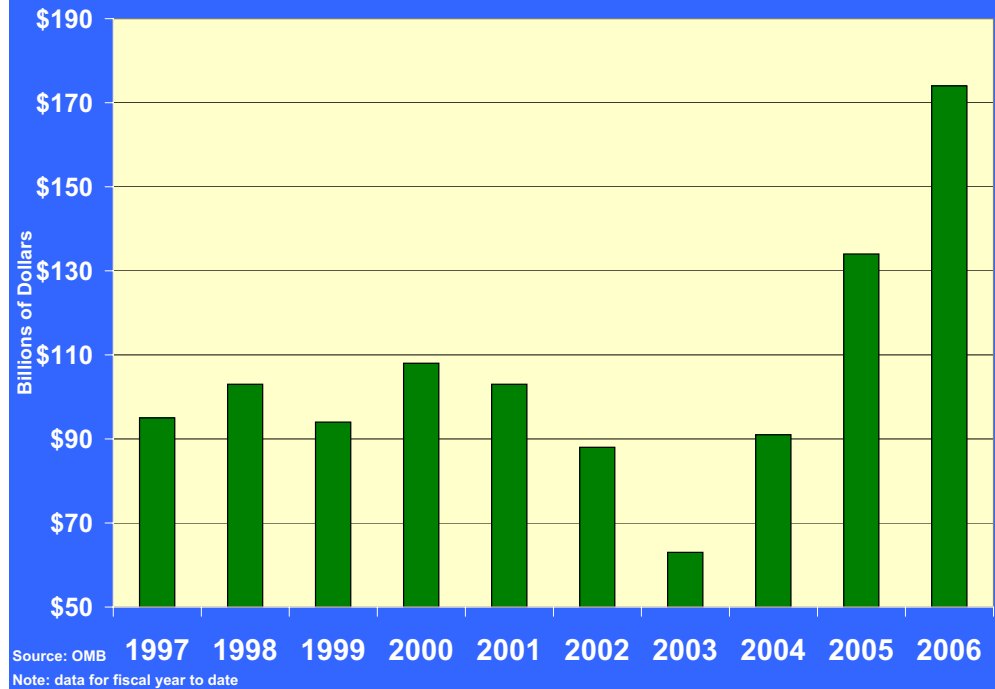
RECORD TAX REVENUES



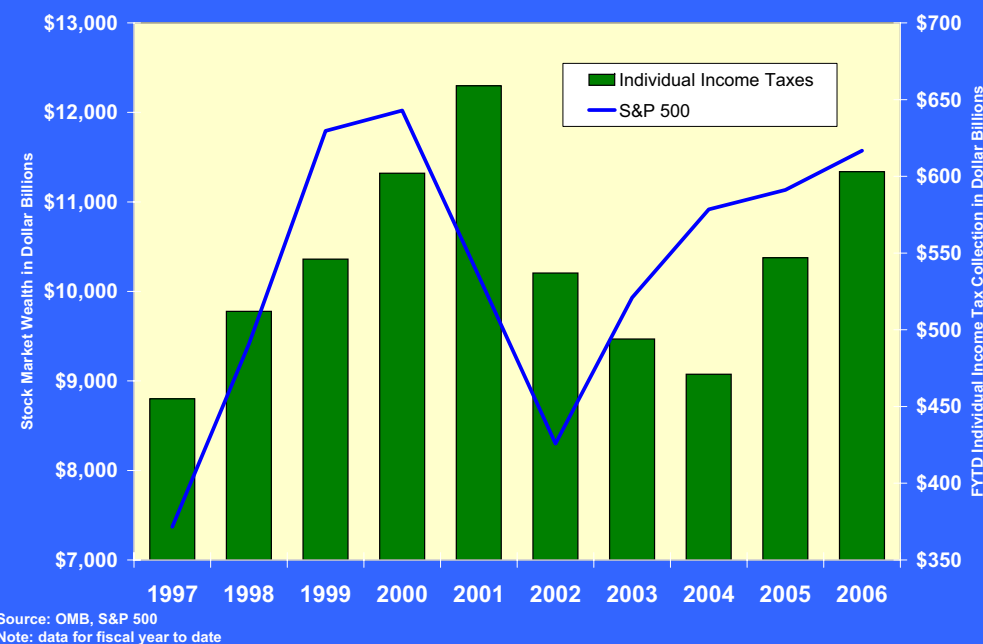
Capital Gains Tax Receipts Higher than Previously Projected



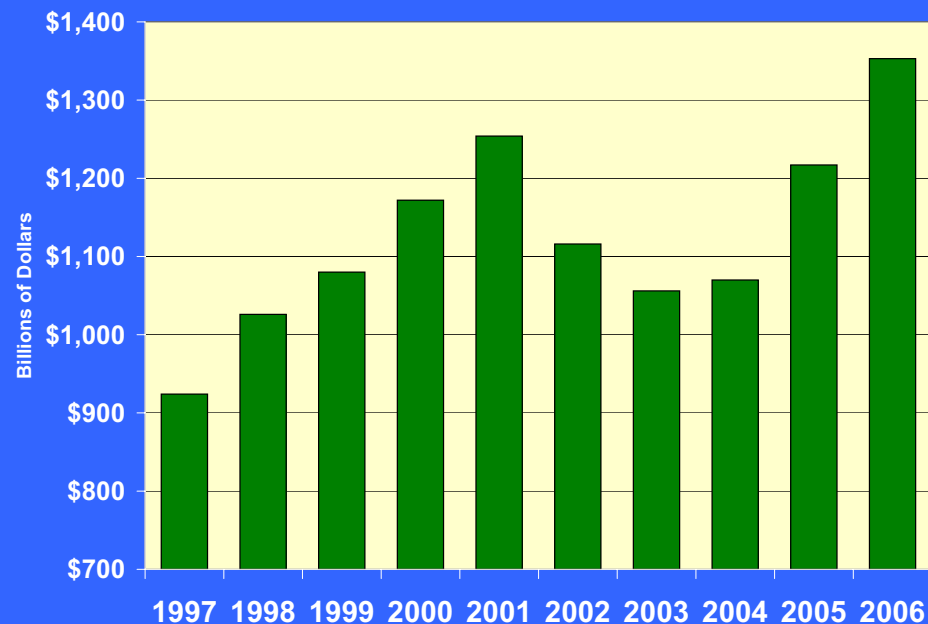
Corporate Tax Revenue Has Tripled



Rising Stock Market Contributes To Revenue Growth



Tax Receipts Up 11%, Surpassing 2001 Peak



The Washington Times

www.washingtontimes.com

Pro-growth tax policies . . . and rewards

By Judd Gregg

Published May 12, 2006

This spring, tens of thousands of American college students are poised to receive their diplomas and undertake a rite of passage -- looking for their first job.

Luckily, Republican pro-growth tax policies enacted in 2003 have fueled the creation of millions of jobs and dramatic economic growth over the past several years, a trend likely to continue as long as Congress extends these policies, not ends them.

Just last week, the Congressional Budget Office (CBO) projected a smaller deficit than anticipated for 2006, citing dramatic and robust tax revenue as a main reason. Tax receipts for the first six months of this year are up more than 11 percent; year-to-date corporate tax revenue has nearly tripled since 2003. This follows CBO's January forecast that capital gains tax receipts will be \$6 billion higher in 2006 than last year.

The Labor Department last week reported 5.3 million new jobs have been created since August 2003, representing 32 months of uninterrupted job growth. The nation's unemployment rate is 4.7 percent, the lowest in nearly five years. Our economy has become more efficient and productive than ever before, with U.S. productivity at its highest since World War II.

In addition, real gross domestic product (GDP) since 2003 has skyrocketed by more than 9 percent and the stock markets are reaching for new, historic highs. Business investment has grown at a strong average annualized rate of 9.2 percent in the 11 quarters since 2003 tax relief lowered tax rates on dividends and capital gains. Household wealth is at an all-time high, consumer confidence is near a four-year high and homeownership has reached record levels -- more than two-thirds of Americans own their homes.

With millions more Americans working and tax revenues flowing into the government coffers, dampening this economic expansion with a 1930s tax policy of raising taxes on risk-takers and entrepreneurs in our society would be unfair to all those who have gotten jobs as result of these pro-growth tax policies.

President Kennedy's tax relief plan stimulated the economy and drove a stake through the heart of the idea that higher taxes equal higher revenues. Ronald Reagan's policies of lowering taxes fueled economic growth. And now President Bush has proven this approach again. Record increases in tax receipts in fiscal 2005 and the first six months of fiscal 2006 have shown that.

Unfortunately, many seem to turn a blind eye to the facts. Fair tax rates, especially on capital formation, give people a reason to work harder and invest more efficiently. That translates into more jobs and more revenue flowing to the federal government.

Tax-and-spend policies do not work. Failure to extend the current tax policies that are stimulating growth and investment would reverse the gains made, slowing the economy and undermining U.S. competitiveness.

The American people are not undertaxed. The deficit exists primarily because of entitlement spending, as well as paying the cost of the war and the Gulf Coast recovery efforts. Instead of raising taxes, which would harm the economy, we should focus on the impending crisis that will be triggered when the Baby Boom generation retires.

This demographic shift, combined with skyrocketing health-care costs, will drive entitlement spending so high it will threaten to overwhelm U.S. economic resources. Such a scenario would devastate our children's economic opportunities and standard of living.

The economic well-being of future generations, such as those celebrating their graduations this year, depends on this generation's ability to control spending while allowing Americans to keep more of what they earn to save and invest. Keeping pro-growth tax policies in place is a key element in maintaining a sound fiscal policy.

Judd Gregg, New Hampshire Republican, is chairman of the Senate Budget Committee.

S. 2381-- LEGISLATIVE LINE ITEM VETO ACT OF 2006

(Consideration in the Senate)

